



MINORITY STAFF
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Prepared for Senator Maria Cantwell

The Impact of Increased Gasoline Prices in Washington

BACKGROUND

High gasoline prices are a severe burden for drivers across the country, with average gas prices remaining well over two dollars per gallon after reaching record highs in April, 2005. The cost of gasoline is expected to remain high, with the United States Energy Information Administration predicting prices at record levels through the summer.¹ This will be the second consecutive summer with record-high gasoline prices.²

These high gasoline prices have significant impacts on family budgets — and on the economy as a whole. Increased expenditures for gasoline reduce families' discretionary income and can result in inflation in the price of consumer goods. One analyst indicated that “for low-income households in particular, the choice increasingly is becoming: “Do I fill my gasoline tank or do I buy something else?”³ Although the House of Representatives passed an energy bill on April 21, 2005, President Bush has acknowledged that the bill would not offer relief from high gas prices.⁴

At the request of Senator Maria Cantwell, this analysis examines the impact of the increase in gasoline prices in Washington. It finds that the increased costs could force motorists in Washington to pay over \$580 million more for gasoline in the spring and summer of 2005 than they did over the same time period in 2003. For the average family in Washington, the increase in gasoline prices could increase fuel costs by approximately \$260 over the next six months.

METHODOLOGY

This analysis estimates the increased amount that consumers will spend on gasoline from April 1, 2005, through September 30, 2005, due to rising gasoline costs. It is based upon (1) data from the United States Energy Information Administration that tracks changes in fuel prices and (2) data from the Department of Transportation's Federal Highway Administration that tracks fuel usage and driving patterns at the state and local level. This data is used to estimate total gasoline usage for the state and for the Seattle area. Total increased spending on gasoline is determined

¹ Energy Information Administration, *Short Term Energy Outlook* (May 7, 2005) (online at <http://www.eia.doe.gov/emeu/steo/pub/contents.html>).

² *Id.*

³ Mark Zandi, quoted in *Get Used to High Gas Prices, U.S. Says*, Los Angeles Times (Apr. 8, 2005).

⁴ *Bush Concedes Energy Bill Offers No Help on Gas Prices*, New York Times (Apr. 21, 2005).

by multiplying the estimated increase in gasoline prices between 2003 and 2005 by the estimated amount of gasoline that will be used in the area.

FINDINGS

A. Gasoline Prices in Washington

In recent months, gasoline prices have increased rapidly. On May 26, 2005, the average price of a gallon of regular gas in Washington was \$2.39.⁵ This is an increase of 8 cents a gallon from last year's prices, and an increase of 85 cents per gallon from prices two years ago — an increase of 55%.⁶ Prices have increased by a similar amount in Washington's largest city, Seattle. On May 26, 2005, the average price of a gallon of regular gasoline in the Seattle area was \$2.42, an increase of 7 cents per gallon compared to prices one year ago.⁷

The U.S. Energy Information Administration has predicted that gas prices will remain at or near record high levels through the summer, the second consecutive year of record gasoline prices.⁸ In 2003, from April through September, the average gasoline price in the U.S. was \$1.61 per gallon.⁹ In 2004, over this same time period, the average price of a gallon of gasoline was \$1.93 per gallon. The United States Energy Information Administration predicts that over the same time period in 2005, the average price of a gallon of gasoline will be \$2.20.¹⁰ This represents a 59 cent increase per gallon compared to 2003 prices — a national increase of 37%.

B. The Impact of Increased Gasoline Prices in Washington

In 2005, drivers in Washington will purchase approximately 2.83 billion gallons of gasoline, approximately 240 million gallons per month.¹¹ Assuming that average gasoline prices are 59 cents per gallon higher this year than in 2003, increased gasoline prices would cost drivers statewide an additional \$140 million monthly compared to what they paid in 2003. Over the six-month spring and summer driving period, the total increased cost would be \$580 million.

⁵ AAA, *Daily Fuel Gauge Report* (May 26, 2005).

⁶ Energy Information Administration, *Retail Gasoline Historical Prices* (Apr. 2005).

⁷ AAA, *supra* note 5.

⁸ Energy Information Administration, *supra* note 6.

⁹ *Id.*

¹⁰ Energy Information Administration, *supra* note 2.

¹¹ The latest statewide data available from the Federal Highway Administration is for 2003. FHWA, *2003 Monthly Motor Fuel Use Reported by States* (Nov. 2004). This data shows that drivers in Washington purchased 2.75 billion gallons of gasoline in 2003. According to the Energy Information Administration, gasoline use will increase by approximately 3% between 2003 and 2005. A 3% increase in gasoline use in Washington would result in 2.83 billion gallons of gasoline in 2005. Energy Information Administration, *supra* note 2.

An estimated 44% of all gasoline used in Washington is used in the Seattle area.¹² This means that Seattle drivers purchase approximately 106 million gallons of gasoline monthly. Assuming that gas prices in the region are 59 cents per gallon higher this summer than in 2003, increased gasoline prices will cost Seattle drivers an additional \$62 million monthly compared to what they paid in 2003. Over the six-month spring and summer driving season, the total increased cost for drivers in Seattle would be approximately \$375 million.

C. Individual Costs of Increased Gasoline Prices in Washington

There are an estimated 4.4 million drivers in Washington.¹³ On a per-driver basis, the increased gasoline prices will cost the average driver in Washington approximately \$130 more in fuel costs between April 1 and September 30 compared to 2003. An average two-car family in Washington will spend an additional \$260 on gasoline during this six-month period.

CONCLUSION

This analysis finds that increasing gasoline costs will have a significant impact on drivers in Washington. In the aggregate, increased gasoline prices could cost drivers in the state over \$580 million over the next six months, with the average two-car family in the area paying almost \$260 extra for gasoline during this period. President Bush has acknowledged that the energy bill recently passed by the House of Representatives will be unable to offer any relief from high gasoline prices.

¹² Based on Federal Highway Administration estimates that 44% of all vehicle miles traveled in Washington are in the Seattle area. This analysis assumes that gasoline use is in direct proportion to vehicle miles traveled. Federal Highway Administration, *Highway Statistics, 2003* (2005).

¹³ Federal Highway Administration, *Highway Statistics, 2003* (2005).